

CITY OF MITCHELLVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2016

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CITY OF MITCHELLVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Woods.	Mayor.	Dec 2017
Dean McGhee.	Council Member.	Dec 2019
Deb Thomas.	Council Member.	Ended Dec 2015
Joe Crook.	Council Member.	Dec 2017
Laura Engler.	Council Member.	Ended Dec 2015
Steve Zook.	Council Member.	Dec 2017
Brian Sanger.	Council Member.	(Started 1-1-16) Dec 2019
Treasa Mitchell-Arterburn.	Council Member.	(Started 1-1-16) Dec 2019
Ruth Norton.	City Administrator/Clerk.	Retired Apr 6, 2016
Tammi Dillavou.	Interim City Clerk.	Jun 2016
Bill Mallory.	City Attorney.	Indefinite
Timothy Brandt.	Director Public Works.	Indefinite
Mike Twohey.	Fire Chief.	Indefinite

City of Mitchellville



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 39 through 42 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2016 on our consideration of the City of Mitchellville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Mitchellville's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by approximately \$280,800, from fiscal year 2015 to fiscal year 2016 due to decreased grant funding and decreased bond proceeds for capital projects.
- Disbursements of the City's governmental activities decreased approximately \$205,400, from fiscal year 2015 to fiscal year 2016 due to completion of the sewer rehab capital project.
- The City's total cash basis net position increased by 17% for fiscal year 2016 to a total of \$1,727,767. Of this amount, the cash basis net position of the governmental activities was \$1,182,032 and the cash basis net position of the business type activities was \$545,735.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Fire Truck Replacement Fund and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

3) Fiduciary funds are used to account for resources held by the City in a trustee capacity as an agent for individuals, private organizations and/or other funds.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for services	\$ 142,100	\$ 145,290
Operating grants, contributions and restricted interest	433,232	447,092
Capital grants, contributions and restricted interest	154,820	285,678
General receipts:		
Property and other city tax		
General purpose	642,980	642,914
Debt service	98,450	92,496
Tax incremental financing	26,757	-
Unrestricted interest on investments	2,270	1,455
Bond proceeds	53,369	211,049
Miscellaneous	26,930	35,777
Total receipts	<u>1,580,908</u>	<u>1,861,751</u>
Disbursements:		
Public safety	473,435	471,071
Public works	378,831	202,590
Health and social services	1,290	1,150
Culture and recreation	144,023	157,182
Community and economic development	26,623	8,389
General government	105,506	87,004
Debt service	214,179	202,673
Capital projects	134,218	553,488
Total disbursements	<u>1,478,105</u>	<u>1,683,547</u>
Change in cash basis net position before transfers	102,803	178,204
Transfers, net	<u>77,625</u>	<u>61,663</u>
Change in cash basis net position	180,428	239,867
Cash basis net position beginning of year	<u>1,001,604</u>	<u>761,737</u>
Cash basis net position end of year	<u><u>\$1,182,032</u></u>	<u><u>\$1,001,604</u></u>

The City's total receipts for governmental activities decreased 15.1%, or approximately \$280,800 from fiscal year 2015. The total cost of all programs and services decreased approximately \$205,400 or 12.2%. Receipts decreased due to reduced grant and bond proceeds. Disbursements decreased due to reduced capital project activity. However, public works disbursements increased due to increased street paving costs.

The cost of all governmental activities this year was approximately \$1.478 million compared to approximately \$1.684 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$748,000 because some of the cost was paid by those directly benefited from the programs (approximately \$142,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$588,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, bond proceeds, and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$878,000 to approximately \$730,000, principally due to reduced grant proceeds.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 544,688	\$ 533,048
Sewer	419,748	399,145
Unrestricted interest on investments	126	66
Miscellaneous	110	-
Total receipts	<u>964,672</u>	<u>932,259</u>
Disbursements:		
Water	455,404	471,857
Sewer	<u>363,957</u>	<u>342,721</u>
Total disbursements	<u>819,361</u>	<u>814,578</u>
Change in cash basis net position before transfers	145,311	117,681
Transfers, net	<u>(77,625)</u>	<u>(61,663)</u>
Change in cash basis net position	67,686	56,018
Cash basis net position beginning of year	<u>478,049</u>	<u>422,031</u>
Cash basis net position end of year	<u>\$ 545,735</u>	<u>\$ 478,049</u>

Total business type activities receipts for the fiscal year were approximately \$965,000 compared to approximately \$932,000 last year. This increase was due primarily to increased water and sewer rates. The cash balance increased approximately \$68,000 from the prior year because of the increased water and sewer receipts. Total disbursements for the fiscal year increased 0.6% to approximately \$819,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$1,182,032, an increase of \$180,428 above last year's total of \$1,001,604. The following increases are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund had a decrease in receipts, and a decrease in spending. Receipts from the utility franchise tax were \$10,030. During the year general receipts for general purpose property tax increased \$6,767 from \$425,214 in 2015 to \$431,981 in 2016. The decrease in spending was primarily for reduced building maintenance costs.
- The Special Revenue, Road Use Tax Fund cash balance had a decrease of \$16,815 from \$278,371 for an end of year balance \$261,556. This was due to increased street maintenance costs. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits. The fund showed a net increase of \$23,858 with an ending cash balance of \$109,009.
- The Special Revenue, Fire Truck Replacement Fund was established to account for the replacement of a fire truck. At the end of the fiscal year, the cash balance was \$159,361, an increase of \$10,874 from the previous year. The increase was the result of transfers from the General Fund.

- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred \$117,425 from other funds to make payments for these obligations. The ending cash balance increased \$1,696.
- The Capital Projects Fund had an increase of \$73,971 for an ending balance of \$17,210. This was due to grant funding received to cover prior year disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$10,971 due primarily to increased charges for services.
- The Enterprise, Sewer Fund cash balance increased by \$14,707 due to increased charges for services.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 16, 2016 and resulted in an increase in operating disbursements related to the sanitary sewer rehab capital project and additional disbursements in certain city departments.

The City's receipts were \$75,971 more than budgeted. This was primarily due to the City receiving more in charges for services and property tax receipts even after the amendments.

Even with the budget amendments, total disbursements were \$80,063 less than the amended budget. Actual disbursements for the public safety, public works and business type functions were \$4,034, \$14,113 and \$51,482, respectively, less than the amended budget.

The City exceeded the amounts budgeted in the general government function for the year ended June 30, 2016 due to higher costs for the clerk, treasurer and financial department.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$3,163,227 in bonds and other long-term debt outstanding, compared to \$3,470,174 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30	
	2016	2015
General Obligation Capital Loan Notes	\$ 820,000	\$ 983,000
Revenue Bonds and Loan Notes	2,144,418	2,273,049
Urban Service Area Agreement	<u>198,809</u>	<u>214,125</u>
Total	<u><u>\$3,163,227</u></u>	<u><u>\$3,470,174</u></u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$820,000 is below its constitutional debt limit of \$3,969,488. The additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Mitchellville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees charged for various City activities.

Property tax valuations are expected to rise slightly. The City's total property tax levy rate for fiscal year 2017 is 13.88531 down from 13.99510 from fiscal year 2016. The amount needed for the debt service levy is expected to decrease. Budgeted disbursements are expected to increase approximately \$120,000. Decreased debt service costs represent the largest decrease.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammi Dillavou, Chief Financial Officer, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

Basic Financial Statements

CITY OF MITCHELLVILLE

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

		Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:	<u>Disbursements</u>			
Governmental activities:				
Public safety	\$ 473,435	\$ 42,847	\$ 128,489	\$ -
Public works	378,831	79,632	278,547	-
Health and social services	1,290	-	-	-
Culture and recreation	144,023	-	26,055	-
Community and economic development	26,623	16,764	1	-
General government	105,506	2,857	140	-
Debt service	214,179	-	-	-
Capital projects	134,218	-	-	154,820
Total governmental activities	<u>1,478,105</u>	<u>142,100</u>	<u>433,232</u>	<u>154,820</u>
Business type activities:				
Water	455,404	544,688	-	-
Sewer	363,957	419,748	-	-
Total business type activities	<u>819,361</u>	<u>964,436</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,297,466</u>	<u>\$1,106,536</u>	<u>\$ 433,232</u>	<u>\$ 154,820</u>
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (302,099)	\$ -	\$ (302,099)
(20,652)	-	(20,652)
(1,290)	-	(1,290)
(117,968)	-	(117,968)
(9,858)	-	(9,858)
(102,509)	-	(102,509)
(214,179)	-	(214,179)
20,602	-	20,602
(747,953)	-	(747,953)
-	89,284	89,284
-	55,791	55,791
-	145,075	145,075
(747,953)	145,075	(602,878)
642,980	-	642,980
98,450	-	98,450
26,757	-	26,757
2,270	126	2,396
53,369	-	53,369
26,930	110	27,040
77,625	(77,625)	-
928,381	(77,389)	850,992
180,428	67,686	248,114
1,001,604	478,049	1,479,653
\$1,182,032	\$ 545,735	\$ 1,727,767
\$ 41,538	\$ -	\$ 41,538
261,556	-	261,556
7,041	31,293	38,334
149,456	-	149,456
722,441	514,442	1,236,883
\$1,182,032	\$ 545,735	\$ 1,727,767

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2016

		Special Revenue		
	General	Road Use Tax	Employee Benefit Tax	Fire Truck Replacement
Receipts:				
Property tax	\$ 431,981	\$ -	\$ 152,089	\$ -
Tax increment financing	-	-	-	-
Other city tax	58,910	-	-	-
Licenses and permits	19,321	-	-	-
Uses of money and property	2,263	-	-	-
Intergovernmental	107,272	278,548	-	-
Charges for service	122,779	-	-	-
Special assessments	-	-	-	-
Miscellaneous	71,525	-	-	900
Total receipts	<u>814,051</u>	<u>278,548</u>	<u>152,089</u>	<u>900</u>
Disbursements:				
Operating:				
Public safety	360,283	-	84,474	-
Public works	69,306	295,363	14,162	-
Health and social services	1,290	-	-	-
Culture and recreation	131,193	-	12,830	-
Community and economic development	8,424	-	-	-
General government	88,741	-	16,765	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>659,237</u>	<u>295,363</u>	<u>128,231</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>154,814</u>	<u>(16,815)</u>	<u>23,858</u>	<u>900</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Transfers in	924	-	-	9,974
Transfers out	(71,864)	-	-	-
Total other financing sources (uses)	<u>(70,940)</u>	<u>-</u>	<u>-</u>	<u>9,974</u>
Change in cash balances	83,874	(16,815)	23,858	10,874
Cash balances beginning of year	<u>444,609</u>	<u>278,371</u>	<u>85,151</u>	<u>148,487</u>
Cash balances end of year	<u>\$ 528,483</u>	<u>\$ 261,556</u>	<u>\$ 109,009</u>	<u>\$ 159,361</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	-
Streets	-	261,556	-	-
Other purposes	-	-	109,009	-
Assigned	-	-	-	159,361
Unassigned	<u>528,483</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 528,483</u>	<u>\$ 261,556</u>	<u>\$ 109,009</u>	<u>\$ 159,361</u>

See notes to financial statements.

Debt Service	Capital Project	Nonmajor	Total
\$ 98,450	\$ -	\$ -	\$ 682,520
-	-	26,757	26,757
-	-	-	58,910
-	-	-	19,321
-	-	7	2,270
-	154,820	-	540,640
-	-	-	122,779
-	-	918	918
-	-	1,000	73,425
98,450	154,820	28,682	1,527,540
-	-	28,678	473,435
-	-	-	378,831
-	-	-	1,290
-	-	-	144,023
-	-	18,199	26,623
-	-	-	105,506
214,179	-	-	214,179
-	134,218	-	134,218
214,179	134,218	46,877	1,478,105
(115,729)	20,602	(18,195)	49,435
-	53,369	-	53,369
117,425	-	30,262	158,585
-	-	(9,097)	(80,961)
117,425	53,369	21,165	130,993
1,696	73,971	2,970	180,428
5,345	(56,761)	96,402	1,001,604
\$ 7,041	\$ 17,210	\$ 99,372	\$ 1,182,032
\$ -	-	\$ 41,538	\$ 41,538
7,041	-	-	7,041
-	-	-	261,556
-	-	40,447	149,456
-	-	17,387	176,748
-	17,210	-	545,693
\$ 7,041	\$ 17,210	\$ 99,372	\$ 1,182,032

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise			Internal Service Public Works Equipment
	Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 544,688	\$ 419,748	\$ 964,436	\$ -
Total operating receipts	544,688	419,748	964,436	-
Operating disbursements:				
Business type activities:	310,995	274,834	585,829	-
Total operating disbursements	310,995	274,834	585,829	-
Excess of operating receipts over operating disbursements	233,693	144,914	378,607	-
Non-operating receipts (disbursements):				
Miscellaneous	110	-	110	-
Interest on investments	31	95	126	-
Capital projects	-	(13,256)	(13,256)	-
Debt service	(144,409)	(75,867)	(220,276)	-
Net non-operating receipts (disbursements)	(144,268)	(89,028)	(233,296)	-
Excess of receipts over disbursements	89,425	55,886	145,311	-
Transfers in	-	-	-	42,008
Transfers out	(78,454)	(41,179)	(119,633)	-
Total other financing sources (uses)	(78,454)	(41,179)	(119,633)	42,008
Change in cash balances	10,971	14,707	25,678	42,008
Cash balances beginning of year	134,275	343,774	478,049	-
Cash balances end of year	\$ 145,246	\$ 358,481	\$ 503,727	\$ 42,008
Cash Basis Fund Balances				
Restricted for debt service	\$ 21,928	\$ 9,365	\$ 31,293	-
Unrestricted	123,318	349,116	472,434	42,008
Total cash basis fund balances	\$ 145,246	\$ 358,481	\$ 503,727	\$ 42,008

See notes to financial statements.

CITY OF MITCHELLVILLE

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 18) \$ 503,727

*Amounts reported for business type activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's Public Works Equipment Fund to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

42,008

Cash basis net position of business type activities (page 15) \$ 545,735

Change in cash balances (page 18) 25,678

*Amounts reported for business type activities in the Cash Basis Statement of
Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's Public Works Equipment Fund to individual funds. The change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

42,008

Change in cash basis net position of business type activities (page 15) \$ 67,686

See notes to financial statements.

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds

As of and for the year ended June 30, 2016

	Blake Trust	Library Memorial	Thomas Mitchell Historical Society
Receipts:			
Use of money and property	\$ 299	\$ 54	\$ -
Miscellaneous	-	33,989	10,285
Total receipts	299	34,043	10,285
Disbursements	-	35,000	36
Change in cash balances	299	(957)	10,249
Cash balance beginning of year	64,593	25,327	3,372
Cash balance end of year	<u>\$ 64,892</u>	<u>\$ 24,370</u>	<u>\$ 13,621</u>

See notes to financial statements.

CITY OF MITCHELLVILLE

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Mitchellville, Iowa is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement, Mud Creek, Spring Creek & Camp Creek Watershed Authority, and Des Moines Regional Transit Authority.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2016, the City paid the Metro Waste Authority \$17,078 for the Curb It Program.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position.

Net position is reported in three categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's permanent fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the tax levy and the disbursement for the benefits.

Fire Truck Replacement Fund is used to account for the replacement of the fire truck.

The Debt Service Fund is utilized to account for the property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

The City also reports the following additional funds:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds consist of:

Agency Funds: Are custodial in nature and do not involve measurement or results of operations. The City has the following agency funds:

Blake Trust, Library Memorial and Thomas Mitchell Historical Society.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the city council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the general government function.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$753,739 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, revenue bonds and notes and for the Urban Service Area Agreement are as follows:

Year Ending June 30	General Obligation Bonds		Revenue Bonds/Notes		Urban Service Area Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 140,000	\$ 27,130	\$ 188,000	\$ 38,535	\$ 15,917	\$ -	\$ 343,917	\$ 65,665
2018	146,000	22,205	193,000	35,245	16,818	-	355,818	57,450
2019	153,000	16,985	198,000	31,868	17,418	-	368,418	48,853
2020	49,000	11,430	204,000	28,403	18,319	-	271,319	39,833
2021	51,000	9,960	210,000	24,833	19,220	-	280,220	34,793
2022-2026	281,000	25,830	1,065,000	66,478	111,117	-	1,457,117	92,308
2027-2031	-	-	87,000	9,608	-	-	87,000	9,608
2032-2034	-	-	57,000	1,993	-	-	57,000	1,993
	<u>\$ 820,000</u>	<u>\$ 113,540</u>	<u>\$2,202,000</u>	<u>\$ 236,963</u>	<u>\$ 198,809</u>	<u>\$ -</u>	<u>\$3,220,809</u>	<u>\$ 350,503</u>
Revenue bond proceeds not received as of June 30, 2016	-	-	(57,582)	-	-	-	(57,582)	-
Total	<u>\$ 820,000</u>	<u>\$ 113,540</u>	<u>\$2,144,418</u>	<u>\$ 236,963</u>	<u>\$ 198,809</u>	<u>\$ -</u>	<u>\$3,163,227</u>	<u>\$ 350,503</u>

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(3) Bonds and Notes Payable - Continued

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January, 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. As of June 30, 2016, the total to be paid is \$198,809. The remainder will be paid by revenues generated from connection fees and development agreements.

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$1,648,930. For the current year, principal and interest paid and customer net receipts were \$140,941 and \$233,693, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004 and \$322,000 in state revolving fund revenue bonds in February, 2015. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2034. The total principal and interest remaining to be paid on the notes are \$684,713 and \$279,897, respectively. For the current year, principal and interest paid and customer net receipts were \$90,474 and \$144,914, respectively. As of June 30, 2016 \$57,582 of the 2015 revenue bonds had not been drawn down yet, and are not expected to be drawn down.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts within the enterprise funds for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City met this test for both water and sewer operations.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(4) Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, the City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment financing taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection was June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. The balance of the tax increment financing taxes to be paid to the developer to satisfy the remaining obligation at June 30, 2016 was \$410,569, if all 20 lots are developed.

The agreement specifically requires the developer to build on 20 lots which must qualify for low and moderate income (LMI) housing. Upon completion of such, the developer will receive \$200,000 of LMI funds. The City is accumulating the LMI portion of the tax increment financing taxes in a special revenue fund. If the developer does not fulfill the obligation, the City will be required to develop a plan to spend the accumulated LMI funds in a residential development area.

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City of Mitchellville, except for those covered by another retirement system. Employees of the City of Mitchellville are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. Except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(5) Pension Plan - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City of Mitchellville contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll for a total rate of 16.40%.

The City of Mitchellville's contributions to IPERS for the year ended June 30, 2016 were \$46,216.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(5) Pension Plan - Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City of Mitchellville's liability for its proportionate share of the net pension liability totaled \$192,513. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Mitchellville's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City of Mitchellville's proportion was .00003896%, which was a decrease of .000640% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City of Mitchellville pension expense, deferred outflows and deferred inflows totaled \$24,929, \$63,401 and \$88,131 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(5) Pension Plan - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City of Mitchellville will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Mitchellville's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Mitchellville's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City of Mitchellville's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City of Mitchellville's proportionate share of the net pension liability	\$452,200	\$192,513	(\$26,534)

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned termination payments payable to employees at June 30, 2016, primarily relating to the General Fund, is \$23,000. This liability has been computed based on rates of pay as of June 30, 2016.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(7) Risk Management

- (a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$34,580.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(7) Risk Management - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

- (b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extended through June 30, 2016 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2016, the City paid worker's compensation insurance premiums of \$17,117 to the Association.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue:	
	Special Assessments	\$ 918
	Permanent Fund:	
	Cemetery Perpetual Care	<u>6</u>
		<u>924</u>
Permanent Fund:		
Cemetery Perpetual Care	General	<u>1,395</u>
Special Revenue:		
Fire Truck Replacement	General	<u>9,974</u>
Special Revenue:		
Fire Equipment	General	<u>11,414</u>
Special Revenue:	Special Revenue:	
LMI	Tax Increment Financing	<u>8,173</u>

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(8) Interfund Transfers - Continued

Transfer to	Transfer from	Amount
<hr/>		
Special Revenue		
Police Car Replacement	General	<u>9,281</u>
Debt Service	Enterprise:	
	Water	61,298
	Sewer	16,327
	General	<u>39,800</u>
		<u>117,425</u>
Internal Service:	Enterprise:	
Public Works Equipment	Water	17,156
	Sewer	<u>24,852</u>
		<u>42,008</u>
Total		<u><u>\$200,594</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Other Post-Employment Benefits (OPEB)

Plan Description - The City participates in a single-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 11 active, 0 COBRA and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy - The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$615 for single coverage, and \$1,560 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2016 the City contributed \$121,068 and plan members eligible for benefits contributed \$17,687 to the plan.

(10) Commitments

A. In July 2011, the U.S. Environmental Protection Agency (EPA) issued an Administrative Compliance Order based on an inspection of the Mitchellville Waste Water Treatment Facility. Subsequently, the City hired an engineering firm to address the EPA's remedial requirements and identify causes of the violations at the Facility. Among other issues, the engineers considered inflow and infiltration in the collection system. The report has been submitted and approved by the EPA. The City has committed to the 2013

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2016

(10) Commitments - Continued

and 2014 collection system rehabilitation project and has been approved for a Community Development Block Grant application to help defray some of the project costs. The cost of the project was estimated to be \$880,000. The City has spent \$680,246 towards the Rehab Project at June 30, 2016.

- B. Effective January 1, 2013, the City and Metro Waste Authority entered into an agreement for solid waste collection. The agreement expires June 30, 2019. Payments for carts are amortized over 93 months. If at the end of the contract, 93 payments have not been made, the balance becomes immediately due.

(11) Subsequent Events

The City has evaluated all subsequent events through November 18, 2016, the date the financial statements were available to be issued.

(12) New Accounting Pronouncement

The City of Mitchellville adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

CITY OF MITCHELLVILLE

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 682,520	\$ -	\$ 682,520
Tax increment financing	26,757	-	26,757
Other city tax	58,910	-	58,910
Licenses and permits	19,321	-	19,321
Uses of money and property	2,270	126	2,396
Intergovernmental	540,640	-	540,640
Charges for service	122,779	964,436	1,087,215
Special assessments	918	-	918
Miscellaneous	73,425	110	73,535
Total receipts	1,527,540	964,672	2,492,212
Disbursements:			
Public safety	473,435	-	473,435
Public works	378,831	-	378,831
Health and social services	1,290	-	1,290
Culture and recreation	144,023	-	144,023
Community and economic development	26,623	-	26,623
General government	105,506	-	105,506
Debt service	214,179	-	214,179
Capital projects	134,218	-	134,218
Business type activities	-	819,361	819,361
Total disbursements	1,478,105	819,361	2,297,466
Excess of receipts over disbursements	49,435	145,311	194,746
Other financing sources (uses), net	130,993	(77,625)	53,368
Excess of receipts over disbursements and other financing uses	180,428	67,686	248,114
Balances beginning of year	1,001,604	478,049	1,479,653
Balances end of year	\$ 1,182,032	\$ 545,735	\$ 1,727,767

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Actual Variance Positive (Negative)
<u>Original</u>	<u>Final</u>	
\$ 648,998	\$ 648,998	\$ 33,522
27,614	27,614	(857)
53,471	53,471	5,439
7,650	7,650	11,671
3,250	3,250	(854)
299,004	525,227	15,413
1,053,660	1,053,660	33,555
-	-	918
8,800	96,371	(22,836)
2,102,447	2,416,241	75,971
450,034	477,469	4,034
306,237	392,943	14,112
1,500	1,500	210
135,814	151,836	7,813
29,575	29,575	2,952
90,511	100,511	(4,995)
217,853	217,853	3,674
-	135,000	782
870,842	870,842	51,481
2,102,366	2,377,529	80,063
81	38,712	156,034
-	53,369	(1)
81	92,081	156,033
1,254,630	1,254,630	225,023
<u>\$ 1,254,711</u>	<u>\$ 1,346,711</u>	<u>\$ 381,056</u>

CITY OF MITCHELLVILLE

Notes To Other Information - Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$275,163. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the general government function.

CITY OF MITCHELLVILLE

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System For the Last Two Years* (In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>
City of Mitchellville's proportion of the net pension liability	.0038966%	.0032571%
City of Mitchellville's proportionate share of the net pension liability	\$ 193	\$ 129
City of Mitchellville's covered-employee payroll	\$ 490	\$ 446
City of Mitchellville's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.39%	26.82%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF MITCHELLVILLE

Schedule of City's Contributions

Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 46	46	\$ 43	\$ 36
Contributions in relation to the statutorily required contribution	<u>(46)</u>	<u>(46)</u>	<u>(43)</u>	<u>(36)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Mitchellville's covered-employee payroll	\$ 497	490	446	418
Contributions as a percentage of covered-employee payroll	9.26%	9.39%	9.64%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 32	\$ 31	\$ 29	\$ 32	\$ 30	\$ 27
<u>(32)</u>	<u>(31)</u>	<u>(29)</u>	<u>(32)</u>	<u>(30)</u>	<u>(27)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
396	442	435	499	488	466
8.07%	6.95%	6.65%	6.35%	6.08%	5.75%

CITY OF MITCHELLVILLE

Notes to Other Information - Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue			
	Tax Increment Financing	Increment Financing LMI	Park Fund	Special Assessment
Receipts:				
Tax increment financing	\$ 26,757	\$ -	\$ -	\$ -
Uses of money and property	-	-	1	-
Special assessments	-	-	-	918
Miscellaneous	-	-	-	-
Total receipts	26,757	-	1	918
Disbursements:				
Operating:				
Public safety	-	-	-	-
Community and economic development	18,199	-	-	-
Total disbursements	18,199	-	-	-
Excess (deficiency) of receipts over (under) disbursements	8,558	-	1	918
Other financing sources (uses):				
Transfers in	-	8,173	-	-
Transfers out	(8,173)	-	-	(918)
Total other financing sources (uses)	(8,173)	8,173	-	(918)
Change in cash balances	385	8,173	1	-
Cash balances beginning of year	(264)	28,752	3,400	-
Cash balances end of year	\$ 121	\$ 36,925	\$ 3,401	\$ -
Cash Basis Fund Balances				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for				
Other purposes	121	36,925	3,401	-
Assigned	-	-	-	-
Total cash basis fund balances	\$ 121	\$ 36,925	\$ 3,401	\$ -

See accompanying independent auditor's reports.

Police Car Replacement	Fire Equipment	Permanent Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 26,757
-	-	6	7
-	-	-	918
-	-	1,000	1,000
-	-	1,006	28,682
28,678	-	-	28,678
-	-	-	18,199
28,678	-	-	46,877
(28,678)	-	1,006	(18,195)
9,281	11,413	1,395	30,262
-	-	(6)	(9,097)
9,281	11,413	1,389	21,165
(19,397)	11,413	2,395	2,970
25,371	-	39,143	96,402
\$ 5,974	\$ 11,413	\$ 41,538	\$ 99,372
\$ -	\$ -	\$ 41,538	\$ 41,538
-	-	-	40,447
5,974	11,413	-	17,387
\$ 5,974	\$ 11,413	\$ 41,538	\$ 99,372

CITY OF MITCHELLVILLE

Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water capital notes *	June, 2006	3.00%	\$ 1,050,000
Library renovations	August, 2006	4.25	255,000
City hall/Center Avenue improvements	June, 2008	3.70-3.90	810,000
Capital loan notes - Series 2009A	July, 2009	4.00	185,000
Total			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes *	May, 2004	3.00%	\$ 1,200,000
Water Revenue Bonds *	September, 2005	1.75	2,230,000
Sewer Revenue Bonds *	February, 2015	1.75	322,000
Total			
Urban Service Area Agreement	October, 2005	0.00%	\$281,696

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 563,000	\$ -	\$ 43,000	\$ 520,000	\$ 16,890
30,000	-	30,000	-	1,275
310,000	-	70,000	240,000	11,580
80,000	-	20,000	60,000	3,200
<u>\$ 983,000</u>	<u>\$ -</u>	<u>\$ 163,000</u>	<u>\$ 820,000</u>	<u>\$ 32,945</u>
\$ 688,000	\$ -	\$ 60,000	\$ 628,000	\$ 12,040
1,387,000	-	108,000	1,279,000	32,941
198,049	53,369	14,000	237,418	4,434
<u>\$ 2,273,049</u>	<u>\$ 53,369</u>	<u>\$ 182,000</u>	<u>\$ 2,144,418</u>	<u>\$ 49,415</u>
<u>\$ 214,125</u>	<u>\$ -</u>	<u>\$ 15,316</u>	<u>\$ 198,809</u>	<u>\$ -</u>

CITY OF MITCHELLVILLE

Bond and Note Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds and Notes					
	Water Capital Notes		Capital Loan Notes Series 2009A		City Hall/ Center Avenue	
	Issued June 1, 2006		Issued July 22, 2009		Issued June 17, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	3.00%	\$ 45,000	4.00%	\$ 20,000	3.70%	\$ 75,000
2018	3.00	46,000	4.00	20,000	3.80	80,000
2019	3.00	48,000	4.00	20,000	3.90	85,000
2020	3.00	49,000	-	-	-	-
2021	3.00	51,000	-	-	-	-
2022	3.00	53,000	-	-	-	-
2023	3.00	54,000	-	-	-	-
2024	3.00	56,000	-	-	-	-
2025	3.00	58,000	-	-	-	-
2026	3.00	60,000	-	-	-	-
Total		<u>\$ 520,000</u>		<u>\$ 60,000</u>		<u>\$ 240,000</u>

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Capital Notes		Sewer Revenue Bonds	
	Issued September 21, 2005		Issued May 17, 2004		Issued February 27, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	1.75%	\$ 112,000	3.00%	\$ 62,000	1.75%	\$ 14,000
2018	1.75	115,000	3.00	64,000	1.75	14,000
2019	1.75	118,000	3.00	66,000	1.75	14,000
2020	1.75	122,000	3.00	67,000	1.75	15,000
2021	1.75	126,000	3.00	69,000	1.75	15,000
2022	1.75	129,000	3.00	72,000	1.75	15,000
2023	1.75	133,000	3.00	74,000	1.75	16,000
2024	1.75	137,000	3.00	76,000	1.75	16,000
2025	1.75	141,000	3.00	78,000	1.75	16,000
2026	1.75	146,000	-	-	1.75	16,000
2027	-	-	-	-	1.75	17,000
2028	-	-	-	-	1.75	17,000
2029	-	-	-	-	1.75	17,000
2030	-	-	-	-	1.75	18,000
2031	-	-	-	-	1.75	18,000
2032	-	-	-	-	1.75	19,000
2033	-	-	-	-	1.75	19,000
2034	-	-	-	-	1.75	19,000
Total		<u>\$1,279,000</u>		<u>\$ 628,000</u>		<u>\$ 295,000</u> *

*As of June 30, 2016 only \$264,418 of the potential \$322,000 original issue had been drawn down on the bonds. Remainder of bond not expected to be drawn down.

See accompanying independent auditor's report.

	<u>Total</u>
\$	140,000
	146,000
	153,000
	49,000
	51,000
	53,000
	54,000
	56,000
	58,000
	<u>60,000</u>
	<u>\$ 820,000</u>

Urban Service	
<u>Area</u>	
<u>Issued October 29, 2009</u>	
Interest	
<u>Rates</u>	<u>Amount</u>
- %	\$ 15,917
-	16,818
-	17,418
-	18,319
-	19,220
-	20,121
-	21,022
-	21,923
-	23,425
-	24,626
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
	<u>\$ 198,809</u>

CITY OF MITCHELLVILLE

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2016	2015	2014	2013	2012
Receipts:					
Property tax	\$ 682,520	\$ 675,380	\$ 686,079	\$ 634,058	\$ 626,826
Tax increment financing	26,757	-	4,906	77,091	26,623
Other city tax	58,910	60,030	45,651	-	-
Licenses and permits	19,321	11,298	46,685	6,994	9,858
Use of money and property	2,270	2,074	1,827	1,449	2,232
Special assessments	918	4,639	4,299	1,487	400
Intergovernmental	540,640	673,798	322,169	290,201	308,088
Charges for service	122,779	123,992	114,881	137,962	121,813
Miscellaneous	73,425	98,391	112,553	25,453	17,075
Total	<u>\$1,527,540</u>	<u>\$ 1,649,602</u>	<u>\$ 1,339,050</u>	<u>\$ 1,174,695</u>	<u>\$ 1,112,915</u>
Disbursements:					
Operating:					
Public safety	\$ 473,435	\$ 471,071	\$ 511,652	\$ 299,369	\$ 312,973
Public works	378,831	202,590	324,500	251,704	229,355
Health and social services	1,290	1,150	1,000	1,500	-
Culture and recreation	144,023	157,182	168,477	127,323	136,225
Community and economic development	26,623	8,389	12,060	64,750	25,641
General government	105,506	87,004	77,843	82,611	67,576
Debt service	214,179	202,673	202,225	200,488	221,147
Capital projects	134,218	553,488	-	-	-
Total	<u>\$ 1,478,105</u>	<u>\$ 1,683,547</u>	<u>\$ 1,297,757</u>	<u>\$1,027,745</u>	<u>\$ 992,917</u>

See accompanying independent auditor's report.

2011	2010	2009	2008	2007
\$ 607,925	\$ 591,537	\$ 534,729	\$ 503,636	\$ 484,798
-	-	-	-	-
-	-	-	-	-
17,371	6,365	8,592	11,926	12,664
2,927	4,300	12,799	26,476	32,527
888	948	400	-	-
283,315	259,532	296,142	253,493	303,544
85,611	93,650	93,874	127,224	126,160
23,469	20,317	76,533	106,943	681,272
<u>\$ 1,021,506</u>	<u>\$ 976,649</u>	<u>\$ 1,023,069</u>	<u>\$ 1,029,698</u>	<u>\$ 1,640,965</u>
\$ 327,179	\$ 271,759	\$ 326,809	\$ 389,989	\$ 413,684
254,744	304,644	281,503	442,743	513,887
-	-	-	-	-
136,693	141,008	150,021	123,509	110,388
5,960	6,152	11,004	24,787	16,638
53,633	96,077	99,344	111,070	78,508
272,475	269,577	274,753	199,658	154,753
-	251,084	896,560	237,685	745,256
<u>\$ 1,050,684</u>	<u>\$ 1,340,301</u>	<u>\$ 2,039,994</u>	<u>\$ 1,529,441</u>	<u>\$ 2,033,114</u>

City of Mitchellville



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statement, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mitchellville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mitchellville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mitchellville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we have identified a deficiency in internal control, described in Part II of the accompanying Schedule of Findings that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Mitchellville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Mitchellville's Responses to the Findings

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Mitchellville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Mitchellville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 18, 2016

CITY OF MITCHELLVILLE

Schedule of Findings

Year ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-16 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts and disbursements to the general ledger, reconciliations and securities control and custody were all done by the same person for the majority of the fiscal year ended June 30, 2016.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Duties are assigned to the extent possible to provide control through review of financial transactions and reports and segregation of duties.

Conclusion - Response accepted.

- II-B-16 Bank Reconciliation - At June 30, 2016 the bank reconciliation did not agree to the general ledger bank account balances. An overdraft amount in a payroll clearing account had been removed from the books.

Recommendation - All general ledger bank accounts need to be recognized on the general ledger.

Response - The City will make sure that all general ledger bank accounts are reflected at all times.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting:

III-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the general government function. Disbursements in the capital project fund exceeded the amounts budgeted before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended timely in the future, if applicable.

Conclusion - Response accepted.

III-B-16 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-16 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-16 Business Transactions - There were no business transactions between the City and City officials or employees during the year.

III-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-16 Deposits and Investments - Investments held by the City at May 31, 2016 exceeded the amount authorized by the investment policy.

Recommendation - The City should revise their investment policy to increase the maximum to cover potential investment increases.

Response - The City will update its investment policy.

Conclusion - Response accepted.

III-H-16 Revenue Bonds and Notes - No instances of non-compliance with the revenue note resolutions were noted.

III-I-16 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.